the Advertising Research Foundation

KNOWLEDGE AT HAND

When Brands Go Dark

Winter 2018

The decision to scale back or eliminate the advertising budget is never easy for marketers. The decision to "go dark" can have various causes, from a broad economic recession to narrower industry or company-specific revenue or growth challenges. Whatever the cause, "going dark" has both short- and long-term implications.

BACKGROUND OVERVIEW

Most empirical findings on the impact of "going dark" reflect marketing choices taken during recessionary periods. However, the insights are also relevant when industry and company-specific factors drive "darkness".

Let's start with the most extreme situation: recession. The economy contracts, most often because consumer spending declines (admittedly some recessions are rooted in business or government spending cutbacks, but we'll focus on consumer contraction here). Top-line sales fall, and, in order to minimize the impact on the bottom-line, budgets get cut. Marketing spending, particularly ad spending, can be one of the first places to feel the scalpel. A wise choice? It depends.

During recessions, companies must understand customers' shifting needs and then adjust their communications strategies and offerings. Marketers should segment customers according to their recession psychology (from fearful to carefree) and how they categorize their purchases (from essentials to expendables). The strategic opportunities during the downturn will strongly depend on which of the four segments the company's core customers belong to (Slam-on the-Brakes, Pained-but Patient, Comfortably Well-Off, Live-for Today) and how they categorize that company's products or services (essentials, treats, postponables, or expendables). Through carefully targeted appeals, brands can connect emotionally with consumers. (Quelch & Jocz, 2009).

In fact, marketing can be significantly more important to the firm during a recession than at any other time. Investment in marketing during recessionary periods is strongly associated with positive shareholder value, customer loyalty, and superior long-term profitability. Reducing marketing efforts can exacerbate the already negative impact of the recession and is likely to jeopardize future sales and profits.

In fact, brands can take advantage of downturns to grow. Recessions offer a rare opportunity for proactive firms to improve their competitive advantage through increased marketing efforts. (O'Malley, Story, & O'Sullivan, 2011). If competitors are cutting their budgets, the longer-term benefit of maintaining marketing expenditures will be even greater. (Field, 2008). In other words, if your competitor zigs, you should zag.

But what happens in less draconian situations? What about those times when marketing has to "tighten its belt" for other reasons? Research studies have shown that brands with TV advertising budgets can eliminate TV advertising and indeed "go dark" for six months or so with little deleterious effect. However, longer periods off-air are likely to weaken brand equity, and once decline sets in, it may be hard to reverse. In the absence of television advertising, a brand can be supported by other media; however, this research shows that the best way to ensure long-term brand health is to maintain levels of spending for TV advertising. (Millward Brown, 2012).

The risks to brand equity by "going dark" not only affect sales. During a major crisis, such as that faced by the financial and automotive industries in 2009, strong benefits have resulted from continuing advertising. Case studies have shown that even during a major crisis, ad-driven WOM continues to be nearly as positive as during normal times. In addition, continued advertising has allowed companies to:

- Manage reputations against a storm of negative news
- Speak to and educate customers with a reassuring voice
- Capture market share from struggling competitors
  (Fay & Shiffman, 2010).

And if the ad budget gets reallocated to promotions? During the Great Recession of 2008, many CPG brands relied heavily on promotion as a means of driving sales. Although this may have initially encouraged shoppers to purchase the promoted products, research has shown that the sales lift from merchandising programs has been on a steady decline. It has been shown that shifting promotional spending to media advertising can strongly increase ROI. (Bhardwaj, Casabona, Joseph, & Shimmel, 2017).

Is this all theoretical? Is this gloom and doom of "going dark" real? Take this case study from the State of Colorado and its tourism marketing budget.

In 1993, Colorado eliminated its tourism marketing function. It cut its $12 million budget to zero. As a result, Colorado's domestic market share for tourist dollars plunged 30% within two years, representing a loss of over $1.4 billion in tourism revenue annually. Over time, the revenue loss increased to well over $2 billion yearly. Colorado's tourism industry convinced the state's legislature to reinstate some funding ($5 million) in 2000. Research tracked the effectiveness of the state's tourism campaigns over the next few years and demonstrated an ROI of over 12:1. In 2006, the tourism promotion budget was increased to $19 million. By 2007, travel to Colorado had rebounded to an all-time high, with 28 million visitors spending $9.8 billion in the state. This case study proves that marketing is an essential net generator of revenue and profits to the organization, not a cost. (Siegel, 2015).

KEY TAKEAWAYS

"Going dark" is a difficult decision to make. The longer-term risks will likely outweigh the short-term bottom line benefits. When faced with this challenge, we invite you to keep these insights in mind:

- Businesses that maintain or increase their ad spending may gain a lasting advantage over their competitors who decrease their ad expenditures during the same period. Reduced advertising by competitors provides a media environment with less ad clutter and potential lower media costs.
- It is more challenging and costly to regain market share and brand equity once lost by "going dark" than it is to maintain them with even modest investment.
- Emphasizing short-term sales, often through promotions, in order to satisfy profit targets can have negative brand equity repercussions. And promotion effectiveness wanes over time as consumers get trained to "wait for the deal."
- It is vital that marketers regard advertising as an "investment" rather than as a "cost." The State of Colorado proved that investment can drive revenue growth.

SOURCES

*Bhardwaj, B., Casabona, O., Joseph, J., & Shimmel, H. (2016). *Drive growth with media parity.* Whitepaper presented at the 2017 ARF Audience Measurement Conference. Retrieved from PowerSearch https://cdn.thearf.org/ARF_Knowledgebase/ARF Audience Measurement/AM_2017/white papers/Drive Growth With Media.pdf

*Fay B., & Shiffman, D. (2010). *Advertising amid crisis*: *Lessons from the financial & automotive industries in 2009.* Presented at the ARF Re:Think Conference. Retrieved from Powersearch https://cdn.thearf.org/ARF_Knowledgebase/ARF Rethink/2010/Communicating with New Normal Consumer (3-24-2010)/Key Issue Forums/Innovative Holistic Measurement/2010_Rethink_D3_KIF_PM_Fay_Shiffman_v4.pdf

Field, P. (2008). Marketing in a downturn: Lessons from the past. *Market Leader.* Retrieved from https://www.marketingsociety.com/sites/default/files/thelibrary/market-leader-autumn-2008_5.pdf

Millward Brown. (2012). Knowledge point: What happens when brands go dark? Retrieved from http://www.wpp.com/wpp/marketing/branding/what-happens-when-brands-go-dark/

O'Malley, L., Story, V., & O'Sullivan, V. (2011). Marketing in a recession: Retrench or invest? *Journal of Strategic Marketing*, 19(3), 285–310.

Quelch, J., & Jocz, K. (2009). How to market in a downturn*. Harvard Business Review*, 87(4), 52-62.

Siegel, B. (2015). *What happens when you stop marketing? The rise and fall of Colorado tourism.* Destinations International. Retrieved from http://63.135.124.219/wp-content/uploads/2015/03/The_Rise_and_Fall_of_Colorado_Tourism.pdf

RECOMMENDED LITERATURE

*Blair, M., & Kuse, A. (2004). Better practices in advertising can change a cost of doing business to wise investments in the business. *Journal of Advertising Research, 44*(1), 71-89. Retrieved from http://www.journalofadvertisingresearch.com/content/jadvertres/44/1/71.full.pdf

Clarke, N. (2009). Budgeting for the upturn - Does share of voice matter. *Nielsen*. Retrieved from http://www.nielsen.com/us/en/insights/news/2009/budgeting-for-the-upturn-does-share-of-voice-matter.html

*Mirzaei, A., Gray, D., Baumann, C., & Johnson, L. W. (2016). Assessing ad-spend patterns to predict brand health: A model for advertisers to determine future advertising-budgeting strategies. *Journal of Advertising Research*. 56(2), 169-182. Retrieved from http://www.journalofadvertisingresearch.com/content/jadvertres/56/2/169.full.pdf

*Tellis, G., & Tellis, K. (2009). Research on advertising in a recession: A critical review and synthesis. *Journal of Advertising Research, 49*(3), 304-327*.* Retrieved from http://www.journalofadvertisingresearch.com/content/jadvertres/49/3/304.full.pdf)

*Tikoo, S., & Ebrahim, A. (2010). Financial markets and marketing: The tradeoff between R&D and advertising during an economic downturn. *Journal of Advertising Research, 50*(1), 50-56. Retrieved from http://www.journalofadvertisingresearch.com/content/jadvertres/50/1/50.full.pdf

*To access Journal of Advertising Research articles and ARF conference presentations

ARF members can log in with their ARF credentials at https://thearf.org/

For additional information on this topic

ARF members can search PowerSearch at https://powersearch.thearf.org/ or Ask a Knowledge Expert at: https://members.thearf.org/knowledge